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# BIR CONF: Lack of reverse-charge VAT leaves UK, Latin America exposed to fraud

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BY FLEUR RITZEMA

Absence of a reverse-charge VAT collection system makes scrap traders in places like the UK, Norway and Latin America exposed to VAT fraud, according to delegates at the Bureau of International Recycling (BIR) conference in Shanghai.

The reverse-charge system is designed to limit the risk of VAT fraud by making the buyer of scrap accountable for VAT, rather than the supplier. It thereby closes potential loopholes created when metals are traded in a chain to exploit differences in VAT rates in individual European Union countries.

"On December 31, 2003, Spain implemented the policy," Alvaro Rodriguez, a guest speaker from Arka Consulting in Spain, explained during a workshop on Latin America at the conference.

"On January 1, 2004, VAT fraud disappeared," he added.

Now more than 10 countries in the EU have implemented the system, effectively halting VAT fraud in these countries, he pointed.

The system must be implemented across the EU, and worldwide, Bjorn Grufman of Metallvarden told Metal Bulletin.

Sweden is the latest country to implement the system, he said. The Swedish decision, explained Grufman, was made after the discovery that there could be a shift in VAT fraud away from Germany, which had implemented the system, to Sweden, which had not.

"Sweden enforced this from January 1. It has been extremely good," Grufman said.

"Some of the backyard operations have disappeared."

While these developments have been welcomed by the scrap industry, those who have not yet implemented the system are left increasingly exposed.

This has increased the amount of VAT fraud taking place in the UK, Robert Voss of Voss International explained.

"There's no plan to change this in the UK," he said during the panel discussion.

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